SAGA PLC

TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURES REPORT

APRIL 2023

SAGA
Experience is everything

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Mitigating the risks of climate change

Our climate-related financial disclosures

In accordance with Listing Rule 9.8.6 (8), we are disclosing our alignment with the Task Force on Climate-Related Financial Disclosures (**TCFD**) recommendations. This is Saga's second annual TCFD report. It sets out our actions and progress against the four pillars of the TCFD framework; governance, strategy, risk management, and metrics and targets.

We deem ourselves to be compliant with the TCFD recommendations other than the recommendation to describe the resilience of the organisation's strategy taking into account different climate related scenarios, and the recommendations to disclose the metrics and targets used to assess climate risk and opportunity.

1 Governance

Our Board of Directors has responsibility for our risk management framework, including climate-related risk, and monitoring the effectiveness of the Group's risk management and control systems. The Board's Risk and Audit Committees, each composed of three independent Non-Executive Directors, oversee principal risks, tolerance thresholds and the internal control framework.

The Board is informed of climate-related issues via updates on ESG topics and through escalation of risk considerations from the Risk Committee. The Board received its latest update on ESG on 22 February 2023, presented by the COO and the Head of ESG. During 2022, the Risk Committee received an update on climate risk management, including risks related to climate change, regulatory expectations, and the process for embedding climate risk consideration throughout the business. The Board receives ESG updates regularly and climate risk considerations are examined quarterly by the Risk Committee as part of the principal risks and uncertainties (**PRUs**). Further formal training around climate issues is being developed for the future.

The Risk Committee meets to discuss the Group's overall risk tolerance, strategy and ability to detect new risks, including those related to climate change, which is captured within the PRU relating to ESG. The Committee Chair reports recommendations to the Board, outlining PRUs, how they are identified, and mitigating actions. Also reporting to the Board, the Audit Committee monitors the integrity of the Group's financial statements and works with the Risk Committee to oversee the efficacy of internal control systems. The Board commits to including climate-related risk formally on the Board agenda, including the oversight of emissions performance, embedding climate resilience and risk management, as well as oversight of the wider ESG strategy. We recognise that the Board has overall accountability for financial risks associated with climate change.

In 2022, a Head of ESG was appointed, reporting to the COO, to oversee and monitor ESG matters, including climate-related considerations and other activities related to sustainability and climate change. The work co-ordinated by the Head of ESG informs the relevant PRU, which is monitored by the ELT. This ensures that oversight, review of performance, and action are delivered throughout the organisation.

The Head of ESG is tasked with ESG delivery, including climate-related risks and ESG strategy performance.

In early 2023, we developed our ESG strategy. The Board was engaged in the development process and approved the final ESG strategy for inclusion in this report.

The ELT considers ESG and climate-related risk. ELT incentives will be partially aligned with progress on climate-related goals where appropriate, beginning with 2023/24 objectives. This will ensure that ESG considerations are embedded into Group strategy, future-proofing the businesses. The ELT reports to the Board via the Group CEO.

Committee responsibilities

- **Audit Committee** – Responsible for monitoring the integrity of the financial statements, reviewing the Group's framework of internal controls (including those related to climate) and maintaining the external auditor relationship.
- **Risk Committee** – Responsible for monitoring the Group's risk management framework and ability to identify and manage new and emerging risks (including those related to climate) and deal with material breaches of risk limits.
- **Remuneration Committee** – Responsible for the Remuneration Policy, performance-linked pay schemes (including ESG considerations) and share-based incentive plans.
- **Innovation and Enterprise Committee** – Responsible for assisting the Board in assessing whether proposals to expand product ranges and services are aligned with the Company's purpose, while ensuring a balance of appropriate levels of governance within entrepreneurship (including ESG strategy considerations).
- **ELT Committee** – Responsible for the development and recommendation of strategy, setting business principles, values, behaviours and standards, monitoring business performance, resource allocation, material projects and capital expenditure proposals, talent management, culture and diversity, equity and inclusion.

Find out more in division of responsibilities on page 82 of the 2023 Annual Report & Accounts

2 Strategy

We engaged our Cruise, Travel and Insurance businesses separately to provide a comprehensive and robust analysis to identify and assess climate-related risks and the resilience of our businesses to manage the links between our climate-related risks and opportunities and our business strategy. We aim to set emissions reduction targets as part of our ESG strategy development and will communicate details when finalised. This is a key management control for our climate-related risks, including reputation and market risks. An initial assessment of the climate-related risks and opportunities for our Cruise, Travel and Insurance businesses was determined over three different time horizons: short- (end of 2023), medium- (2024-2035) and long-term (2036-2050) as assessed by TCFD. Risks and opportunities for each time frame are expanded to the right.

We are assessing the controls and processes in place to mitigate and manage our climate-related risks, as well as capture our climate opportunities. We will also assess where we need to strengthen our approach to climate risk management to embed climate into everyday business decision-making and planning. Saga acknowledges that climate risk and strategy are interrelated and should be managed in unison. During 2023, we will continue to review climate resilience and control effectiveness to ensure an integrated approach to climate strategy and climate risk.

Scenario analysis

We recognise the importance of performing climate scenario analysis. It is our ambition to integrate the completion of 2°C and 1.5°C climate scenario modelling within the executive bonus structure across each business unit for 2023/24 to ensure that this activity is completed in a meaningful way. We intend to disclose the results of this analysis in our next TCFD report.

Risks

Group-wide

Short-term (end of 2023)

Saga has identified two short-term climate-related risks that could potentially impact all business units dependent on government policy decisions. First, direct and indirect carbon pricing and cost pass-on within our supply chains could reduce Saga's financial returns as upstream supply material costs increase, specifically on energy and fuel-intensive materials. Second, Saga's market valuation may be impacted by investors challenging Saga's dedication to, or progress on, climate-change commitments in line with their own obligations.

To mitigate increased climate scrutiny, we are focusing on achieving gains in ratings from FTSE4Good, CDP and other rating agencies. We are publishing our ESG strategy, which has a focus on climate. We are also considering full Scope 3 value-chain emissions inventory to broaden our understanding and drive reductions.

Long-term (2036-2050)

Disruption of office-based and on-site operations could be caused by incidents of climate-related diseases similar in effect to COVID-19. Increasing physical risk of extreme weather events, including storms, may damage Saga's offices, disrupting business operations. Warmer temperatures, inducing a wetter climate, particularly in the UK, increase the likelihood of floods and damage to property. To moderate these risks, Saga has adopted a hybrid working model allowing colleagues to work from anywhere while also replacing owned property with rented office spaces. Further, Saga has the ambition to utilise smaller regional hubs rather than a single main office going forward.

Another long-term climate-related risk is changing consumer expectations. Linked to our short-term reputational risks, Saga will also face the long-term risk of changing consumer trends around low-carbon travel options, shrinking the potential market for Saga if not addressed. We will consider options for sustainable travel solutions.

Cruise and Travel

Short-term (end of 2023)

Our businesses will face short-term risks including increased fuel costs and financial strain on Saga's key partners (such as airlines) as carbon taxation drives climate transition, particularly in relation to fossil fuels. We are investigating opportunities in new technologies in Cruise to create emissions reductions, and carbon offsetting for our jet tours as mitigating controls for this risk. This will also be considered when performing our full Scope 3 value chain emissions inventory to drive further reductions.

Medium-term (2024-2035)

The businesses face the medium-term risk of increasing emissions regulations introducing a burden on cruise and tour operators and a financial burden on Saga. Also, primarily for our Cruise and Travel businesses, but also for our Insurance and Money businesses, there is an increased risk of public health issues. Pandemics and extreme weather could impact itineraries and customer travel plans. To mitigate this risk, we adjust itineraries, as required, in response to any outbreaks.

Long-term (2036-2050)

Extreme weather events are important long-term climate-related risks that Saga takes seriously. Acute events like extreme weather, or chronic changes such as sea level rises, may damage critical supply chain locations including cruise ports and airports, causing disruption to operations, requiring Saga to cancel or reschedule trips, resulting in revenue loss or increased costs. These same extreme weather events could also affect holiday destinations, food and beverage supply, and entertainment, therefore limiting or changing our product offerings to our customers, potentially resulting in the loss of revenue. We will adjust itineraries, as required, in response to extreme weather events.

Insurance and Money

Medium-term (2024-2035)

In our Insurance and Money business units, and in some parts of the Cruise and Travel businesses (such as sourcing), we face increased costs as a medium-term climate-related risk. The impacts of these increased costs include Saga's ability to quickly repair or replace insured physical assets, suppliers' ability to service a replacement (particularly given the rate of technological change in sustainable vehicles), and increased costs of products driving up the cost for Saga to repair or replace underlying insured assets. We have developed our electric vehicle insurance offering and seek to review our supply chain to understand where efficiency gains can be made.

Seasonal diseases such as COVID-19, started or accelerated by climate drivers, could impact pay out for medical and travel insurance products as well as increase pay outs for insured assets, and supply chain products covered in Saga's current and future policies (such as smart home technologies), damaged by climate-related extreme weather.

Opportunities

Group-wide

Short-term (end of 2023)

There is a short-term climate-related opportunity linked to energy efficiency and carbon reduction. We can reduce our exposure to the rising price of carbon by reducing our carbon footprint and contribution to climate change through, for example, utilising technology to optimise fuel consumption on our ships and implement a rented property model for our office hubs. We have already taken the opportunity to change our colleague car scheme to include hybrid or electric cars as standard.

Cruise and Travel

Short-term (end of 2023)

Our businesses can achieve a high ESG profile by responding to customers' interest in climate-related issues and by demonstrating a responsible and sustainable approach to ESG. This has the potential to enable increased investment capacity through new green financing opportunities. In addition, for our ships and our operations specifically, we can achieve increased climate leadership and a reduction in our carbon footprint by collaborating with new low-carbon partners and exploring and taking advantage of fuel-efficient technologies.

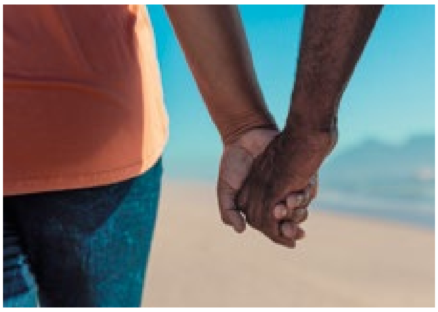
Medium-term (2024-2035)

Further to the above short-term climate-related opportunities, we can achieve increased climate leadership as well as a reduction in our carbon footprint in the medium-term by collaborating with new, low-carbon partners and exploring and taking advantage of fuel-efficient technologies.

Insurance and Money

Short-term (end of 2023)

In our Insurance and Money business units, we can develop product lines to support the shift to a low-carbon economy, including strengthening our electric vehicle insurance offering.



3 Risk management

To identify the risks detailed above, we carried out workshops and consulted with internal subject matter expects, which enabled us to identify and assess the risks and opportunities we face. Short-, medium- and long-term climate change risk is managed within the ESG PRU for the Group (see 2023 Annual Report and Accounts, page 67). A combination of overarching risks apply to all business units, and more distinct risks apply to specific business units.

Process for identifying risks

A new risk team was established in 2022/23 to align with our new operating model. Revisions are being made to the risk management framework to improve our ability to more maturely capture, manage and report climate risks.

Climate risk considerations are built into the Group risk management framework and this is being further enhanced during 2023/24. Currently, a risk identification process is in place across the organisation to support colleagues in identifying their risks against a categorisation system. Identification of all risks is completed against the risk assessment matrix which scores frequency and probability against severity.

Our approach to scoring risks (see page 65 of the 2023 Annual Report & Accounts) lists various impacts and quantifies what each score means in that context. Most ESG risks would currently be scored based on the financial, regulatory, or business disruption impacts. This helps to ensure that the scoring of ESG risks is consistent with other risks. A further improvement on this process is to add an ESG-specific category in the risk assessment matrix. This will help to improve the accuracy of ESG risk scoring.

Process for integrating climate-related risks into risk management

Risks identified as part of the risk identification process must have the relevant key controls documented against them. This is the same for all risks, regardless of whether they are climate-related or not.

Saga's PRUs are discussed regularly at the Risk Committee, including the scoring of the overarching risks and what mitigation is in place. This Committee has Board-level attendance, and where risks are considered out of appetite, or further mitigation is required, actions are assigned to resolve this. During 2023/24, further improvements to our risk appetite approach are being made, which will further support management in assessing their top risks against the agreed risk appetite and establishing their comfort level with risk exposure. Risk appetite status, and any action plans required to bring risks back within appetite are reported to the Risk Committee. Building ESG considerations more explicitly into our risk appetite approach will help to drive conversation on our key ESG risks at a senior level.

Process to manage climate-related risks

Please see page 62 of the 2023 Annual Report and Accounts for details on how Saga assesses the size, and scope, of identified risks and details about the risk terminology framework.

We understand the critical importance of delivering sustainable growth, and we have taken steps to measure our current impact on the environment and set targets to mitigate this. Our Energy and Carbon Statement has been prepared in accordance with our regulatory obligation to report GHG emissions, which can be found on page 30 of the 2023 Annual Report & Accounts. To ensure transparency and accuracy, we also commit to having our carbon footprint verified by a third party, and our 2022 CDP report can be found on our corporate website (www.corporate.saga.co.uk/about-us/environmental-social-and-governance/). We aim to score an 'A' for our climate change CDP disclosure in the coming years.

4 Metrics and targets

We will develop new targets and metrics, to be published later in 2023/24, to support our ESG strategy. In the meantime, Saga's current focus is on Scope 1 and 2 GHG emissions. We intend to disclose the targets used by the organisation to manage climate related risks and opportunities and performance against these targets in our next TCFD report.

During the reporting period 1 February 2022 to 31 January 2023, our measured Scope 1 and 2 emissions (location-based) totalled 107,235 tCO_2e, and reported Scope 3 emissions totalled 3,932 tCO_2e. These emissions have been calculated in line with the Greenhouse Gas Protocol.

Our ambition is to set a science-based target for our carbon and GHG emissions, aligned to our business strategy and to the 1.5°C warming scenario set out within the Paris Agreement. For details of our emissions, see page 30 of the 2023 Annual Report & Accounts.

We are proud of our progress so far, purchasing 100% of our site-based electricity from a 100% renewable supply, and significantly reducing our Scope 2 emissions under market-based reporting. As in previous years, the dual reporting of our emissions demonstrates that we are making efforts to reduce our climate impact through the purchase of electricity generated from cleaner sources, but we recognise that we are only at the start of our journey.